BNN BLOOMBERG MARKET CALL

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***e*Research Corporation** is pleased to provide two excerpts from Wednesday's BNN Bloomberg Market Call Newsletter.

Set out below are the respective Market Outlook commentaries from two leading investment analysts, plus Links to their respective 45-minute video interviews.

MARKET OUTLOOK

Cameron Hurst, Chief Investment Officer at Equium Capital Management

Focus: U.S. Equities

The rally off December 2018 lows reflected as much unjustified exuberance as the preceding decline reflected unnecessary pessimism. In other words, both represent extreme reactions that should soon find a more suitable and sustainable middle ground. At the heart of the extreme volatility lies the challenge of forecasting growth at the end of a long cycle with conflicting messages from fiscal and monetary policy leaders.

We pointed out some time ago that markets were latching on to the false premise of growth being robust and sustainable and yet the Fed being increasingly likely to cut rates and further stimulate. The reality may now be coming home to investors that in order for the Fed to become more accommodative, the trajectory of economic growth will have to weaken, which in the absence of a quick and favourable resolution with China, could be nearer on the horizon and desired.

The option-implied probability of a Fed funds rate cut by September, while swinging wildly for two months now, is at 37 per cent and well below the high of 63 per cent in March. This probably sits around a level that suggests there is reason for caution, but against a backdrop of pretty reasonable economic growth. To be clear, we caution against putting too much weight in option-implied rate probabilities and firmly believe the attention this indicator received recently belies its actual predictive ability.

At present, it seems the indicator reflects a Fed that is sitting pretty with a slowing but positive growth picture and the ability to pivot either direction as needed. We see that as positive, although not sufficient to induce additional investment.

Acknowledging the late stage of the cycle, our positioning in risk assets remains focused and only modestly above benchmark.

VIDEO: Cameron Hurst's 45-Minute Video Interview **<CTRL-CLICK>** **HERE**

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MARKET OUTLOOK

Brian Madden, Senior Vice-President and Portfolio Manager at Goodreid Investment Counsel

Focus: Canadian Equities

Roughly half the S&P TSX Composite companies have reported first-quarter results during this earnings season, with numbers approximately in line with analyst forecasts in aggregate, and with year-over-year growth back modestly in the black after a brief and shallow decline during the fourth quarter.

All eleven sectors and 78 per cent of all TSX Composite constituent stocks have risen year-to-date, but there have been many double-digit decliners at the stock level as well, particularly in the resource space, proving that even a very broadly bullish market environment can mete out harsh punishment to stocks that disappoint.

The recent rally in the bond market after the Federal Reserve took a more dovish stance on rates in January coupled with ongoing robust job creation and recently reinvigorated retail sales and housing starts here in Canada offer some assurance that the growth scare we saw late last year will not morph into a full-blown recession this year or early next year.

Accordingly, our focus has been on adding quality secular growth stocks and selective cyclical stocks to portfolios to position for a further extension of this admittedly already very long economic expansion.

The corollary is that we have been reducing exposure to defensive/bond proxy stocks that sported high yields and low betas, which we had accumulated from mid-to-late 2017 through late 2018.

VIDEO: Brian Madden's 45-Minute Video Interview **<CTRL-CLICK>** **HERE**

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